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DIRECTORATE OF  
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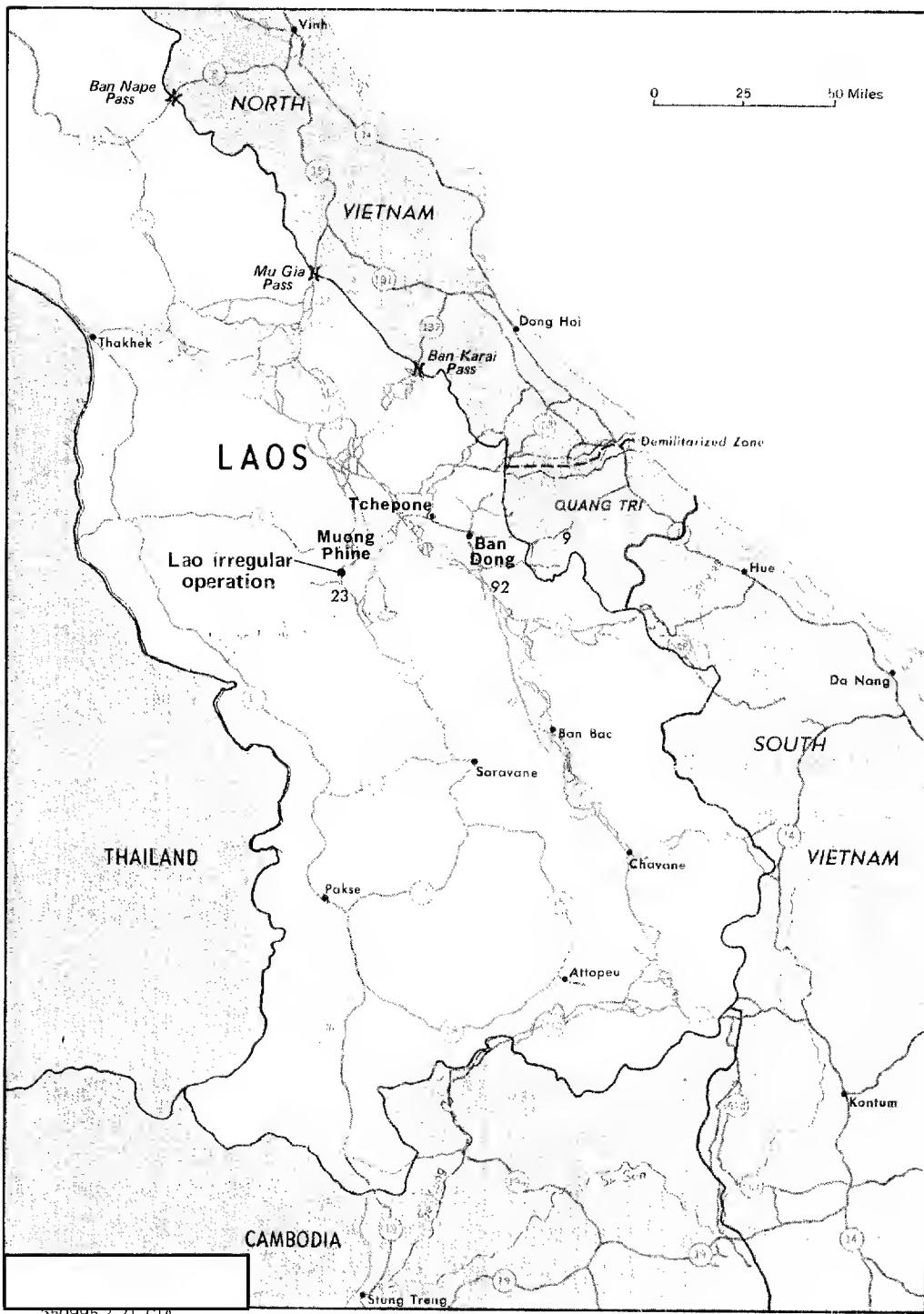
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VIETNAM-LAOS: Contact between South Vietnamese and Communist ground forces continues to be generally light and sporadic as the South Vietnamese push into the Laos panhandle towards Tchepone.

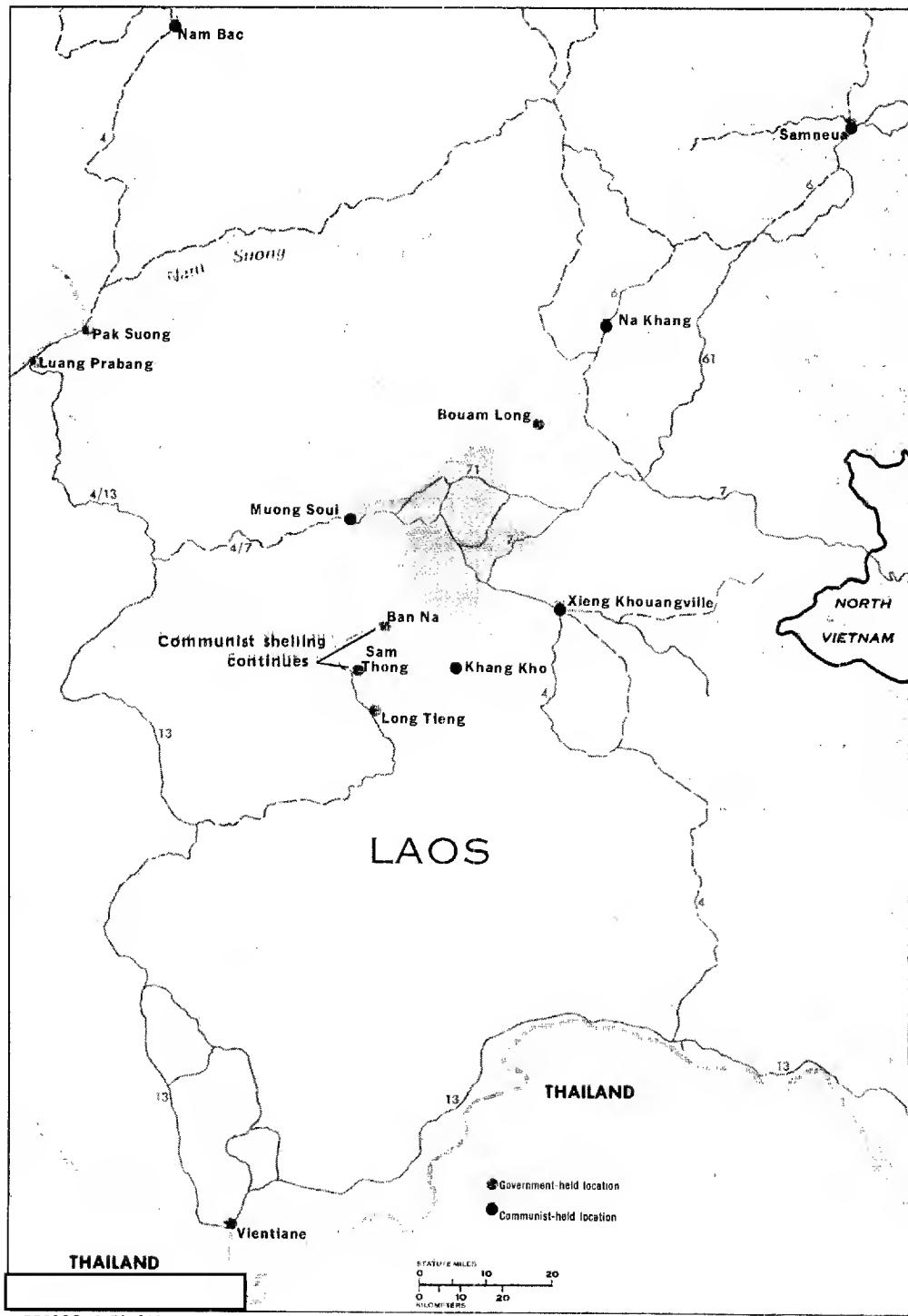
With the seizure of Ban Dong, enemy southbound traffic on Route 92 has been disrupted. The enemy is still emphasizing a vigorous antiaircraft effort, using mortar and artillery fire to harass allied rear base areas and South Vietnamese forward field positions. Recent aerial photography revealed the presence of heavy artillery pieces north of the DMZ, suggesting that pressure on allied bases in northern Quang Tri Province will be maintained.

There has been little enemy reaction so far to the new Lao irregular operation against Communist supply efforts along Route 23 between Muong Phine and the Se Bang Hieng River. The operation began early yesterday when a four-battalion irregular task force was airlifted into an area about eight miles southwest of Muong Phine and could soon prompt Communist reaction to keep this north-south route open.

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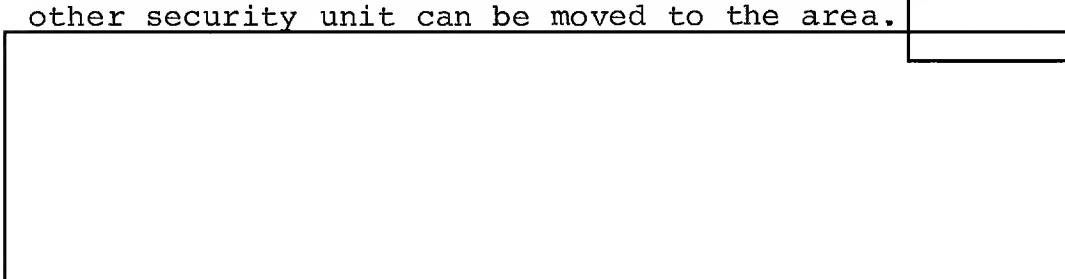
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LAOS: Recent enemy activity has been light and scattered throughout the country.

Only small unit clashes took place around Long Tieng and Sam Thong, although one patrol twice encountered an enemy unit thought to be part of the Communist force that attacked Long Tieng on 14 February. The irregulars killed eight of the enemy, bringing the total losses to that unit to an estimated 21. Meanwhile, most of the valley's civilian population has been evacuated, with villagers moving to smaller villages to the south and west of Long Tieng. There were no signs of panic among the civilians. Communist shelling continues at Sam Thong and Ban Na.

At Luang Prabang, members of the government parachute battalion that had recently reoccupied ridge positions northeast of the royal capital have deserted those positions and moved back to the outskirts of town. By the evening of 15 February there were no government units north of the Nam Suong River. At nearby Pak Suong, government artillery will be moved back to a safer site nightly until another security unit can be moved to the area.

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POLAND: The decision to rescind the food price rise that led to the December upheaval suggests the government has been under greater pressure from the workers than it had allowed to become known.

Premier Jaroszewicz's announcement of the price rollback on 15 February constituted a significant retreat by the Gierek regime, which had hitherto merely promised that food prices would not be further increased for two years. The sit-down strikes among textile workers in Lodz from 11 to 15 February were made public, but the US Embassy believes that yesterday's press implied that unrest may have also occurred in Warsaw and several other industrial centers, including the port of Szczecin.

The government's move on the price issue apparently was designed to nip in the bud a third wave of strikes. Most workers in Lodz, for example, reportedly have returned to their jobs, while negotiations on improved working conditions between their representatives and government officials continue.

The price rollback, effective 1 March, is cast as a last ditch attempt to mollify the workers. Jaroszewicz made it clear that no further concessions can be expected, and implied that without calm and intensive work by all, a dangerous situation could result. His linkage of Soviet credits to the government's decision also was designed to bring home to the workers Poland's political as well as economic indebtedness to Moscow. The implication of this statement to be drawn by the workers is that labor cannot push its demands too far, without wearing Soviet patience too thin.

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ROMANIA: The regime's concern with the seriously lagging foreign trade sector was underscored by the required attendance at a Bucharest foreign trade conference of more than 200 diplomatic and commercial representatives stationed abroad, as well as by the highest level officials of the party and government hierarchy.

Ceausescu highlighted the session with a lengthy speech in which he noted the long-standing failure of Romanian industry to fulfill its export commitments. He castigated those who have failed to meet export delivery schedules and who have ignored the foreign currency costs of imports for which domestic sources might be substituted. The need to upgrade the caliber of Romanian foreign trade representatives abroad and to replace the time-honored practice of exporting "a little bit of everything" with export specialization also was noted.

His proposals to "decentralize" foreign trade responsibility and for producing enterprises to set up their own foreign marketing staffs were formally approved by a Central Committee plenum last week. It is unclear, however, how broad these responsibilities will be and what role will be played by the Foreign Trade Ministry.

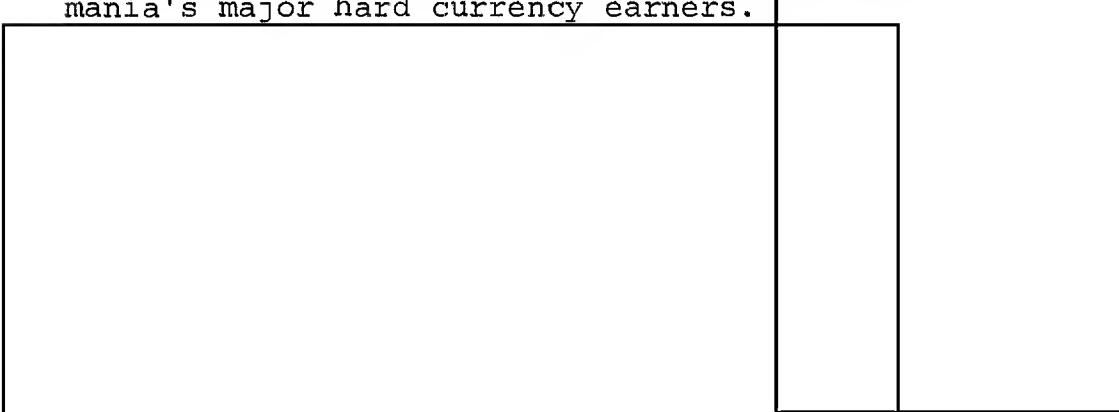
Romania is saddled with a hard currency debt of more than \$800 million. The level of credit repayments will reach very demanding proportions during 1971-73 and Ceausescu undoubtedly is aware that substantial additional commitments must be avoided. Banks handling applications for import credits henceforth will require assurances that the importing firm will be able to repay these credits by an equivalent value of exports.

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Romania still produces only limited quantities of manufactured goods that are salable in the West. Export difficulties have been significantly aggravated by the floods last spring which caused substantial damage to the agricultural crops, traditionally Romania's major hard currency earners.

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HUNGARY-YUGOSLAVIA: There has been a notable warming in bilateral ties, and more agreements on long-range projects now appear possible.

In contrast to Belgrade's aloofness toward most other Warsaw Pact countries, the Hungarians and Yugoslavs had been moving steadily toward a special relationship since early 1969, and the frequency and level of contacts have particularly speeded up this year. Trade union talks in January included substantive discussion of union activities in both countries. The Hungarians also accepted an invitation to the Yugoslav "self-managers conference" next May, an event Moscow will almost certainly shun for ideological reasons. Cultural contacts have led to special information exchanges by the two writers unions and discussion of the creation of a permanent joint committee.

From the point of view of politicos in the Soviet bloc, such relationships, although significant, are not particularly objectionable. However, these developments were accompanied by an important indication of Budapest's interest in resuming regular party relations with Belgrade, capped by politburo member Zoltan Komocsin's audience with Tito and other leaders earlier this month. That visit could mean that other Soviet bloc states also may improve their ties with the Yugoslavs.

The most recent example of expanding Hungarian-Yugoslav cooperation was the visit of Belgrade's Deputy Premier Glickov to Budapest last week. In his departure speech on Saturday, Glickov indicated that he had discussed several new long term projects, including the construction of a new power line for "regular power exchanges," road construction, and "cooperation in the aluminum industry." Glickov also said that the sides had swapped experiences in implementing their economic reforms, an indication that the Hungarians may be seeking to avoid the pitfalls encountered by the Yugoslavs, who have gone far beyond Budapest in creating a liberal economic system.

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INDIA-PAKISTAN: There has been no decrease in the tension between the two countries that has been building since the hijacking and subsequent destruction of an Indian airliner.

One Calcutta newspaper is carrying scare reports of troop movements within East Pakistan. Most of the Indian press, however, concedes that these movements may well be related to domestic Pakistani politics. (An item on Pakistan follows on Page 9.) Meanwhile, each nation has called its high commissioner home for consultation. Officials in both states insist, however, that these moves do not constitute a recall of their representatives and that the diplomats will soon be back at their posts.

All India Radio, meanwhile, quotes "official sources" as stating that there is no possibility of removing the ban on the overflight of India by Pakistani aircraft until Islamabad complies with New Delhi's demands for compensation for the destroyed aircraft and extradition of the hijackers. The Indian radio commentator criticized Pakistan for attempting to involve third parties in the quarrel rather than settling the issue bilaterally. His position is in line with the long-standing Indian policy of attempting to prevent foreign powers or international organizations from intervening in Indo-Pakistani disputes.

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PAKISTAN: Z. A. Bhutto has announced that his Pakistan People's Party (PPP) will not attend sessions of the National Assembly.

The National Assembly is scheduled to meet on 3 March to begin writing a new constitution. The Awami League (AL), although it represents only East Pakistan, will have an absolute majority in the assembly; the PPP holds a majority of the West Pakistani seats.

At issue is the AL's six-point program for provincial autonomy that would leave the central government responsible only for defense and foreign affairs. Bhutto claims that the AL is unwilling to compromise and has put West Pakistan in a "take it or leave it position." Nevertheless, he said, the PPP would go to the assembly if given assurance that its views would be heard and, if reasonable, accepted. Bhutto may believe that if he acquiesces to East Pakistani plans, his role as spokesman for West Pakistan will be seriously eroded.

Bhutto has, in effect, given notice that West Pakistan will not accept a purely East Pakistani constitution, but the AL may well refuse to deal with him. It hopes to win enough support from Bhutto's West Pakistani opponents to make it appear that the AL's constitution has the support of both sections of the country. Many East Pakistanis would rather split the country than compromise on provincial autonomy, and an apparently growing number would prefer independence to provincial autonomy.

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COMMUNIST CHINA - NORTH VIETNAM: A new economic and military aid agreement has been announced, but it is not likely to alter significantly the Chinese aid program in North Vietnam. No details were announced. The pact was concluded, perhaps for its propaganda impact, after a brief visit by a routine aid-seeking delegation that stopped in Peking en route home from Eastern Europe and the USSR. Last year, estimated Chinese economic and military aid amounted to about \$180 million, a poor second to Soviet assistance. Chinese economic assistance since 1965 has consisted largely of food-stuffs, manufactured goods, and other commodities to meet short-range economic needs.

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JAPAN: Tokyo University scientists successfully launched an MU-4S space booster yesterday and placed in orbit a satellite, which is to transmit signals for one week. The launching reportedly was designed to test the rocket and satellite systems in preparation for the launching of a larger scientific payload, probably in September. The MU-4S, a more powerful vehicle than the Lambda-4S used to place Japan's first satellite into orbit a year ago, is a four-stage, solid-propellant vehicle. An earlier attempt to launch an MU-4S failed. The MU system will be used to launch various scientific payloads over the next few years and will be followed by launch systems which employ US Thor-Delta technology and hardware.

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WARSAW PACT: Foreign ministers of the pact states will meet in Bucharest on Thursday and Friday. The meeting has been rumored for several weeks, but the Romanian deputy foreign minister said the date was set when the East European foreign ministers went to Moscow last week to sign the Seabeds Disarmament Treaty. The foreign ministers probably will renew their earlier appeals for a conference on European security--possibly based on the recent Finnish proposal for multilateral consultations, which the Soviets and East Europeans have endorsed. It is also reasonable to expect statements on the war in Indochina, the Middle East, and the need for unity to combat "imperialism."

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WEST GERMANY - CZECHOSLOVAKIA: A Bonn foreign office official has confirmed earlier reports that West Germany is in no hurry to begin talks with Czechoslovakia on a political agreement. The assistant secretary for Eastern Europe said his government did not wish to accept the burden of another negotiation effort while the domestic controversy over the Moscow and Warsaw treaties continues and a Berlin settlement is not clearly in sight. By delaying, Bonn may also be telling Prague that it is still not prepared to accept fully the Czech demand that the 1938 Munich agreement be declared invalid from the start. Preliminary negotiations, according to the estimate of the assistant secretary, might begin at the end of March, but full-fledged negotiations on substantive issues probably will not be scheduled before May or June.

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ETHIOPIA: Security officials are worried about possible threats to Emperor Haile Selassie's life during his current visit to Eritrea Province. Because of the increased activity and terrorism by the Eritrean Liberation Front (ELF) over the past year, the most extensive security precautions in recent years--including helicopter surveillance--have been put into effect for the Emperor's annual visit.

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SOUTH AFRICA: Import allotments issued in January were reduced by 60 percent from the levels normally granted, the first restriction on imports adopted by the country to reduce its trade deficit. Unprecedented spending in 1970 increased the deficit by 52 percent to a record \$1.4 billion (excluding gold), a level that cannot be sustained even under the most favorable circumstances. In spite of complaints by the business community, restrictions probably will be enforced, and some decline in the 1969/70 real growth rate of more than seven percent can be expected.

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